APRIL/MAY2025

23PCM11/23PCP11 — BUSINESS FINANCE

Time : Three hours Maximum : 75 marks

Sharanya Industries Arts & Science College T.V.Malai

SECTION A — (10 × 2 = 20 marks)

Answer ALL questions.

1. State the meaning of multi period compounding.
2. What do you mean by rule of 69?
3. List out the types of risk.
4. Give the meaning of return
5. What is venture capital fund?
6. Write a note leasing.
7. What is meant by receivable management?
8. Write a note on EOQ.
9. What do you mean by ARR method?
10. Write a note on multinational capital budgeting.

SECTION B — (5 × 5 = 25 marks)

Answer ALL questions.

11. (a) What is multi-period compounding? How does it affect the annual rate of interest?

Or

(b) If you deposit Rs 10,000 today at 12% percent rate of interest, in how many years will this amount grow to Rs. 80,000. Work out this problem using Rule of 72. Do not use the compound Factor tables.

12. (a) Explain the different sources of risk.

Or

(b) Describe the various types of risk involved in investment.

13. (a) Discuss the various methods of evaluating the leasing proposal.

Or

(b) Describe the concept of start-up financing. Briefly explain Angel investors.

(c) Net present value at 10% discount rate

(d) Profitability Index at 10% discount rate

(e) Internal Rate of Return

Year	Present value of Rs 1 at 10% discount rate
1	0.909
2	0.826
3	0751
4	0.683
5	0.621

14. (a) The following forecasts are provided in respect of Ellis Ltd, for the year 2022

	Rs.
Sales	13,50,000
Purchases	9,00,000
Cost of goods sold	9,15,000
Average debtors	1,50,000
Average creditors	80,000
Average stock	1,52,000

Find out the cash operating cycle given that all sales and purchases are made on credit.

Or

(b) The finance department of Prashanth Textile corporation gathered the following information

(i) The fixed cost per order is Rs 20

(ii) The number of units required is 30,000 per year.

(iii) The carrying cost per unit is Rs. 2

(iv) The purchase cost price per unit is Rs. 30

Determine the economic order quantity (EOQ) Total number of orders in a year and the time-gap between two orders.

15. (a) Calculate payback periods of the following projects each requiring a cash outlay of Rs 1,00,000. Suggest which projects are acceptable if the standard payback period is 5 years.

Year	Cash inflow		
	Project A	Project B	Project C
1	30,000	30,000	10,000
2	30,000	40,000	20,000
3	30,000	20,000	30,000
4	30,000	10,000	40,000
5	30,000	5,000	–

Or

(b) What are the techniques to evaluate the multinational capital expenditure proposals?

SECTION C — ($3 \times 10 = 30$ marks)

Answer any THREE questions.

16. ABG shipyards establishing a sinking fund to redeem Rs 6,00,000, 9% debentures 10 years from today . The company invests annuity for 10 years at 8 per cent rate of interest. The first payment will be at the end of the current year. How much annual contributions must be made to accumulate Rs. 6,00,000, 10 years from now?

17. Explain the factors that determine return? Describe the various methods of measuring return.

18. What do you understand by leasing? State its advantages and disadvantages.

19. The amount requirement for a product is 1,152 units. The ordering cost is Rs 50 per order. The cost per unit is Rs 10 the carrying cost per unit per year is 20% of the unit cost. (a) Find the EOQ, (b) By using better organizational methods, the ordering cost per order is brought down to Rs. 30 per order, but the same quality as determined above ordered. What would be the change in total inventory cost?

20. A company is considering an investment proposal to install new milling controls. The project will cost Rs. 50,000. The facility has a life expectancy of 5 years and no salvage value. The company's tax rate is 55% . The firm uses straight line method of depreciation from the proposed investment proposal are as follows:

Year	1	2	3	4	5
Profit (Rs.)	10,000	11,000	14,000	15,000	25,000

(a) Payback period

(b) Average Rate of Return